

Message Text

CONFIDENTIAL

PAGE 01 STATE 174668

66

ORIGIN EB-11

INFO OCT-01 ARA-16 ISO-00 STR-08 TRSE-00 AGR-20 L-03

COME-00 SP-03 CIAE-00 INR-11 NSAE-00 RSC-01 TAR-02

IO-14 OPIC-12 PA-04 PRS-01 USIA-15 SS-20 SAB-01 NSC-07

CIEP-03 OMB-01 CEA-02 /156 R

DRAFTED BY EB/ICD/TRP:PPPILKAUSKAS:MH

APPROVED BY ARA/CEN:DLAZAR

EB/ICD/TRP:TJO'DONNELL

ARA/LA/CEN:JGSULLIVAN

STR:BSTEINBOCK (INFO)

EB/OT/GCP:HCBLACK (INFO)

TREASURY:JJOHNSON (INFO)

ARA/PAN:PMORRIS (INFO)

----- 026645

P 092202Z AUG 74

FM SECSTATE WASHDC

TO AMEMBASSY PANAMA PRIORITY

AMEMBASSY SAN JOSE PRIORITY

AMEMBASSY TEGUCIGALPA PRIORITY

INFO AMEMBASSY QUITO PRIORITY

AMEMBASSY BOGOTA PRIORITY

AMCONSUL GUAYAQUIL PRIORITY

AMEMBASSY MANAGUA PRIORITY

AMEMBASSY GUATEMALA PRIORITY

C O N F I D E N T I A L STATE 174668

E.O.11652: GDS

TAGS: ETRD,EAGR, PN, CS, HO

SUBJECT: BANANAS: MEETING WITH UNITED OFFICIALS

REF: (A) STATE 162826; (B) STATE 161937; (C) TEGUCIGALPA
3287

1. IN MEETING WITH DEPTOFFS AUGUST 9 UNITED FRUIT OFFI-
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 174668

CIALS HEADED BY ROBERT GALLOP, VICE PRESIDENT AND GENERAL

COUNSEL DESCRIBED LATEST SITUATION IN PANAMA. UB HAS NOT SHIPPED BANANAS FOR THE LAST TWO WEEKS BUT CONTINUES PAYING 7,700 OF ITS 9,000 EMPLOYEES IN PANAMA. GALLOP STATED THE NEXT TWO WEEKS ARE CRITICAL SINCE THE COMPANY WILL BEGIN TO LOSE FRUIT. MORE IMPORTANTLY, UB AND THE GOP HAVE ACCORDING TO THE UNITED OFFICIALS REACHED AN IMPASSE IN NEGOTIATIONS. MINISTER OF COMMERCE MANFREDO REFUSES TO MOVE FROM HIS POSITION THAT UNITED MUST RESUME SHIPMENTS AND TAX PAYMENTS OF ONE DOLLAR PER 40 POUND BOX BEFORE ANY NEGOTIATIONS CAN BEGIN. MANFREDO DEMANDS A TAX PAYMENT 300,000 DOLLARS PER WEEK REGARDLESS OF THE LEVEL OF UB SHIPMENTS. VP TAYLOR EXPRESSED OPINION THAT GOP WAS ON ROAD TO EXPROPRIATION.

2. VP TAYLOR SAID OFFER TO SELL MADE PUBLIC BY MANFREDO WAS NOT A FIRM NOR OFFICIAL UB OFFER, BUT WAS ONE TOPIC OF CONVERSATION AT DINNER BETWEEN UB OFFICIALS AND MANFREDO. IN ANSWER TO DIRECT QUESTION ON WHETHER THE GOP THINKS UB MADE

AN OFFER TO SELL, TAYLOR SAID HE THOUGHT SO. GALLOP INTERJECTED THAT MANFREDO'S PRESS RELEASE WAS PART OF A WELL-PLANNED AND VITRIOLIC NEWSPAPER CAMPAIGN AGAINST UB. GALLOP STATED UB WOULD SELL PANAMA PROPERTIES FOR CASH, BUT UB IS NOT ABOUT TO "GIVE AWAY THEIR PROPERTIES". UNITED OFFICIALS SAID ANY SERIOUS NEGOTIATIONS ON A SALE TO THE GOP WOULD BE LONG AND DRAWN OUT, AND WOULD HAVE TO DEAL WITH THE BOOK VALUE OF THE COMPANY, THE TERMS OF THE SALE, THE TAX LIABILITY, AND FUTURE MARKETING ARRANGEMENTS IF UB IS TO CONTINUE TO MARKET PANAMANIAN FRUIT. TAYLOR SAID THAT IN PANAMA DISCUSSIONS, MANFREDO MAINTAINED THAT UB MUST CONTINUE TO SHIP BANANAS, PAY ALL TAXES, AND CONTINUE TO PAY ALL WAGES.

3. UNITED OFFICIALS STATED THAT WITH A SALE PRICE IN THE UNITED STATES OF ABOUT 3.50 DOLLARS PER 40 POUND BOX AND A COST OF ABOUT 5.00 DOLLARS PER BOX TO UNITED WHEN THE ONE DOLLAR TAX IS INCLUDED, IT COULD NOT CONTINUE TO OPERATE IN PANAMA. IN RESPONSE TO A DEPTOFF QUESTION, MR. GALLOP ADMITTED THAT ONLY ONE MILLION OF THE FOUR MILLION OWED ON THE TAX HAS ACTUALLY BEEN TURNED OVER TO CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 174668

THE GOP BY THE BANCO NACIONAL. MR. GALLOP MENTIONED THAT UNITED WAS INTERESTED IN NEGOTIATING THE TAX ISSUE ON THE BASIS OF A 10 OR 15 OR 20 CENT PER BOX TAX WITH AN OVER RIDE FOR A HIGHER LEVEL DEPENDING ON MARKET PRICE IN THE UNITED STATES.

4. IN THE CASE OF HONDURAS, UB OFFICIALS FEEL THAT GOH IS BACKING OFF ITS POSITION WHICH HARDENED AT PANAMANIAN

URGING. UB STATES IT IS READY TO TALK IN HONDURAS AND THAT PRESIDENT LOPEZ MET JULY 8 WITH MR. LACOMBE OF UB. DEPARTMENT OFFICERS QUERRIED UB OFFICIALS ON SUBSTANCE OF REF. (C). UB EXPRESSED SURPRISE AT INFORMATION AS WELL AS DOUBT TO VALIDITY.

5. DEPTOFFS CAREFULLY EXPLAINED TO UB OFFICIALS THAT THE DEPARTMENT FEELS A VERY REAL DUTY TO PROTECT UB WITHIN BROAD LIMITS, AND WHILE WE CANNOT GET INTO THE ACTUAL DISCUSSION BETWEEN THE COMPANY AND THE GOVERNMENTS CONCERNED, WE CAN TRY TO KEEP A DIALOGUE GOING. FURTHERMORE, UB WAS INFORMED THAT WE ARE SERIOUSLY DISTURBED THAT UB IS TRANSMITTING UNINTENDED SIGNALS TO THE GOVERNMENTS CONCERNED. UB WAS ALSO TOLD THAT ITS APPROACH TO FINANCIAL INTERESTS (GOLDMAN SACHS AND FIRST NATIONAL CITY BANK) IS AN INDICATION TO THE GOVERNMENTS THAT UB HAS SEVERAL HIGH CARDS WHICH IT IS WILLING TO PLAY AND IS AN AFFRONT TO GENERAL TORRIJOS IN REAL AND PERSONAL TERMS, AND THAT IF GENERAL TORRIJOS HAS NO OTHER OPTION HE CAN TAKE ACTION WHICH WHILE IRRATIONAL MAY BE HIGHLY INIMICAL TO UB

BUSINESS INTERESTS. DEPTOFFS EXPRESSED OPINION THAT DIALOGUE APPEARS TO BE BREAKING DOWN IN PANAMA AND THAT WE HAVE EXPRESSED SAME CONCERNS TO THE GOP. UB WAS ALSO TOLD THAT WE MAY BE REACHING A POSITION IN PANAMA WHERE THE USG MAY NOT BE ABLE TO DO ANYTHING, EVEN USING OUR BEST DIPLOMATIC SKILLS. MR. GALLOP RESPONDED THAT UB HAS NOT BEEN ABLE TO HAVE ANY DIALOGUE WITH GENERAL TORRIJOS AND THAT UB IS ATTEMPTING TO PROTECT ITSELF BY BEING TOUGH. MR. TAYLOR MENTIONED THAT HE DID ALL IN HIS POWER TO REACH AN AGREEMENT IN ORDER TO RE-ESTABLISH SHIPMENTS, BUT WAS UNABLE TO TURN THE GOP FROM THE HARD LINE PRESENTED BY MANFREDO. MR. TAYLOR REAFFIRMED THAT UB SEES NO WAY THAT

CONFIDENTIAL

PAGE 04 STATE 174668

IT CAN PAY THIS TAX. DEPARTMENT OFFICIALS EXPLAINED THAT TACTIC IS NOW TO SEPARATE GOP PUBLIC POSITION FROM ITS REAL POSITION AND THEN USE REAL POSITION AS A BASIS FOR NEGOTIATION, WHILE RECOGNIZING THAT SOME CONCESSION WILL HAVE TO BE MADE TO THE GOP PUBLIC POSITION BEFORE ANY REAL PROGRESS CAN BE MADE BY UB. WHEN DEPARTMENT OFFICIAL SAID THAT IT IS APPARENT THAT BOTH SIDES ARE TALKING BUT NOT REALLY COMMUNICATING, MR. GALLOP RESPONDED THAT GENERAL TORRIJOS IS "RIDING FOR DOOM AND TAKING US WITH HIM."

6. UB REQUESTED THAT THE DEPARTMENT ENCOURAGE COSTA RICA AND HONDURAS TO "COME OUT OF THEIR HOLDING PATTERNS". IN COSTA RICA, UB SAYS IT HAS DISCUSSED THE ISSUES WITH BOTH THE PRESENT GOVERNMENT AND EX-PRESIDENT FIGURES, BUT THAT IT IS APPARENT THAT COSTA RICA IS

WAITING ON EVENTS IN PANAMA. KISSINGER

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CUSTOMS DUTIES, BANANAS, BUSINESS FIRMS, MEETINGS, NEGOTIATIONS, DIPLOMATIC REPRESENTATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 09 AUG 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: cunninfx
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE174668
Document Source: CORE
Document Unique ID: 00
Drafter: PPPILKAUSKAS:MH
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740219-0165
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740859/aaaabyko.tel
Line Count: 170
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: (A) STATE 162826; (B) STATE 161937;; (C) TEGUCIGALPA
Review Action: RELEASED, APPROVED
Review Authority: cunninfx
Review Comment: n/a
Review Content Flags:
Review Date: 11 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 SEP 2002 by boyleja>; APPROVED <20 FEB 2003 by cunninfx>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BANANAS: MEETING WITH UNITED OFFICIALS
TAGS: ETRD, EAGR, PN, CS, HO, US, UNITED BRANDS, (GALLOP, ROBERT)
To: PANAMA TEGUCIGALPA
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005